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AT RICHMOND, MARCH 30, 1998

JOINT PETITION OF

CASE NO. PUA980004

AT&T CORP.

AND

TELEPORT COMMUNICATIONS GROUP INC.

For approval of Agreement and Plan of Merger

ORDER GRANTING APPROVAL

On January 29, 1998, AT&T Corp. (“AT&T”) and Teleport Communications Group Inc. (“TCG”) (collectively “the Petitioners”), filed a Joint Petition with the Commission under the Utility Transfers Act requesting authority to transfer control of TCG to AT&T. An Order for Notice and Comments and Requests for Hearing was issued February 11, 1998. No comments or requests for hearing were filed with the Commission.

As stated in the Petition, TCG is the holding company parent of TCG Virginia, Inc., which is authorized by the Commission to provide competitive local exchange services and intrastate interexchange telecommunications services within the Commonwealth of Virginia. AT&T is the parent company of AT&T Communications of Virginia, Inc. (“AT&T Virginia”), which is authorized to provide competitive local

exchange and interexchange telecommunications services within the Commonwealth of Virginia. Neither AT&T nor any of its affiliates currently are affiliated with TCG.

To accomplish the proposed transfer of control, TCG and AT&T have executed an Agreement and Plan of Merger (“the Merger Agreement”). Pursuant to the Merger Agreement, the proposed transaction is structured such that TA Merger Corp., a newly formed Delaware subsidiary of AT&T formed specifically for the purpose of consummating the transaction, will merge with and into TCG, with TCG being the surviving entity and a wholly owned subsidiary of AT&T. AT&T expects that immediately following the merger, TCG will begin offering a broad array of competitive local exchange and interexchange telecommunications services principally under the AT&T brand. At the time of the merger, shareholders of TCG will receive, in exchange for each issued and outstanding share of TCG, 0.943 shares of AT&T common stock, as specified in the Merger Agreement.

As described in the Petition, the proposed merger will result in a change in the ultimate owners of TCG but will not involve any immediate change in the manner in which TCG Virginia provides service to its Virginia customers. The Petitioners represent that services currently being provided by TCG Virginia will continue to be offered pursuant to tariffs currently on file with the Commission. The Petitioners further state that following the merger, TCG Virginia will continue to be led by a team of well-qualified telecommunications managers, including existing TCG personnel. Therefore, the Petitioners represent, the merger will have no immediate impact on TCG Virginia

customers in terms of the services that they receive, and AT&T and TCG Virginia will honor all commitments to TCG's existing customers.

As stated in the Petition, AT&T intends that TCG will form the cornerstone of AT&T's facilities-based local exchange service offerings and plans over time to integrate services being provided by TCG and other AT&T local exchange services, such as AT&T Digital Link Service, which is currently offered in Virginia. It is stated that these services will be marketed principally under the AT&T brand name as part of a broad range of telecommunications services, including long distance and enhanced services.

The Petitioners state that the proposed transfer of control clearly will benefit the public interest in increased competition in the market for telecommunications services in Virginia. It is stated that AT&T is highly dependent on Incumbent Local Exchange Carrier ("ILEC") systems and facilities in its efforts to enter the market for local exchange services and bring the benefits of vigorous competition to that market. It is further stated that since the passage of the 1996 Act, AT&T has experienced a number of technical, economic, and practical difficulties in entering the market for competitive local exchange services. The Petitioners indicate that this is because AT&T was heavily reliant on the use of ILEC systems and facilities. Therefore, the Petitioners feel that it is critical to AT&T's ability to provide robust competitive local exchange services that AT&T have alternative local infrastructure available to it and within its control and management.

In the near-term, AT&T expects that the acquisition of TCG will "jump start" AT&T's provision of facilities-based local exchange service, primarily to business

customers and to multiple dwelling units in high density markets currently served by TCG. AT&T also expects that the acquisition of TCG will enhance AT&T's ability to provide end-to-end service to broader classes of customers by enabling AT&T to tap the experience and expertise of TCG's management team to lead AT&T's overall local entry strategy for business and residential customers.

On March 23, 1998, the Commission Staff filed its report. Staff concluded that in reviewing the Petition, there does not appear to be any indication that adequate service to the public at just and reasonable rates will be adversely affected by the merger. In terms of "adequate service," there is no evidence to indicate that at least the same level of service will not be provided to Virginia customers after the merger as before the merger. In terms of "just and reasonable rates," service will continue to be provided by TCG Virginia pursuant to tariffs on file with the Commission, and TCG Virginia and AT&T will honor all commitments to TCG's existing customers.

Staff's position is that the proposed transfer of control would not alter the ability or the necessity of the Virginia certificated subsidiaries of AT&T and TCG to abide by the Commission's standards set forth in either the Commission's Rules Governing the Certification of Interexchange Carriers¹ or the Commission's Rules Governing the Offering of Competitive Local Exchange Telephone Service.² Furthermore, customers

¹ See 20VAC5-400-60

² See 20VAC5-400-180

always have the option of switching service providers should they not be satisfied with the service being provided.

NOW THE COMMISSION, upon consideration of the Joint Petition and representations of the Petitioners and having been advised by its Staff, is of the opinion and finds that the above-described merger would neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates and should, therefore, be approved. Accordingly,

IT IS ORDERED THAT:

- 1) Pursuant to §§56-88.1 and 56-90 of the Code of Virginia, approval is hereby granted for the Agreement and Plan of Merger as described herein.
- 2) There appearing nothing further to be done in this matter, it is hereby dismissed.